

ST 02-0111-GIL 05/15/2002 MEDICAL APPLICANCES

A medical appliance is defined as an item that is intended by its manufacturer for use in directly substituting for a malfunctioning part of the body. See 86 Ill. Adm. Code 130.310(c). (This is a GIL.)

May 15, 2002

Dear Xxxxx:

This letter is in response to your letter dated April 8, 2002. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be found on the Department's website at www.revenue.state.il.us/Laws/regs/part1200/.

In your letter, you have stated and made inquiry as follows:

I am writing to inquire as to the correct application of tax to our new product, the PRODUCT.

I am enclosing a press release describing this product. It is our understanding that insulin related products are not taxable. However, we are requesting a written ruling on the correct application of tax to this product. This PRODUCT will be sold directly to patients and also to distributors.

The written ruling should be sent to my attention at the above address.
If additional information is needed, please contact me.

Thank you for your assistance with this matter.

All gross receipts from sales of tangible personal property in Illinois are subject to Retailers' Occupation Tax unless an exemption is specifically provided.

Medicines and medical appliances are not taxed at the normal rate of 6.25%. These items are taxed at a lower rate of 1%. See the enclosed copy of 86 Ill. Adm. Code 130.310. Items subject to this lower tax rate include prescription and nonprescription medicines, drugs, medical appliances, and insulin, urine testing utensils, syringes, and needles used by diabetics, for human use.

A medical appliance is defined as an item that is intended by its manufacturer for use in directly substituting for a malfunctioning part of the body. See 86 Ill. Adm. Code 130.310(c). Medical devices that are used for diagnostic or treatment purposes do not qualify for the lower tax rate.

In general, in order to qualify as a medical appliance, the product must directly substitute for a malfunctioning part of the body. Some of the products specifically listed in the regulation as qualifying for the reduced rate are home glucose monitors, home blood glucose test strips and related supplies used to treat human diabetes. Please note that supplies do not qualify for the reduced rate. Sterile dressings, bandages and gauze do qualify for the reduced rate.

Based on the description of the product in the attachment to your letter, the PRODUCT used to administer insulin in treating diabetes in human beings qualifies for the low rate of tax as contained in subpart (d) of the regulation. Please note that PRODUCT used to administer drugs other than those used in treating diabetes are subject to the high rate of tax.

I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

MAJ:msk
Enc.